Real tangible investments that can impact SA's economy

Renier de Wit, managing director of Gaia and Gaia Venture Capital Ltd - an approved financial services provider and section 12J venture capital company - discusses the ins and outs of this fund's investment approach, its underlying assets, and the importance of this tax-deductive dispensation.

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Gaia Venture Capital focuses strongly on sustainable investing. What is your approach to the term 'sustainability'?

The 193 member states of the United Nations unanimously approved 17 Sustainable Development Goals (SDG) at a historic summit in 2015. These SDGs built on the UN's Millennium Development Goals (MDG) which were decided on by the organisation's members at the turn of the century.

The MDGs saw poverty decline by half among the world's people and the SDGs aim to see sustainable development by 2030. At Gaia, we believe investors can and should make a sustainable impact on the world. We need to make it a better place than what we received. We are indebted to the next generation to do so.

What does the space for sustainable investment look like in South Africa?

South African investors are far behind the rest of the world in terms of achievements in the sustainable investment space. This is especially true when you look at the cohort of so-called millennial investors which – particularly in Western economies – want to invest only in assets with a strong bias towards positive environmental, social and governance issues. These investors realise they will be on the planet for another 50 years or so and want to leave it in better shape than how they have received it.

In South Africa, there are enough investment opportunities in this space, but there is a shortage of available investment vehicles. In other words, the underlying sustainable investment assets are available, but it is difficult for investors to access these through, for instance, listed instruments on the stock exchange.

- ***As an investor in agricultural businesses, how does Gaia implement its commitment to the UN's SDGs?***

The fund is invested in table grape, citrus and nut production where nutritious food is produced, processed and packaged and then sold locally or exported. Here, we aim to meet the SDGs of zero hunger, decent work and economic growth, reduced inequalities, and no poverty. These are the direct impacts of our investments in food production.

Our investments ensure the sustainability of jobs in line with the aims of the section 12J (of the Income Tax Act) dispensation. As we raise more funding and in partnership with our investee companies, we plan how this additional investment can improve the agricultural business. For example, we look at transitioning more electricity consumption by the farm to renewable energy (such as solar energy), thereby promoting the SDG of affordable and clean energy.

This not only benefits the climate, but also reduces the risk of relying on unpredictable Eskom power. For instance, unpredictable power cuts during the peak table grape packing season – which requires a stable cold chain – could lead to millions in wasted produce. In addition to clean power, we aim to improve a farming operation's irrigation processes to ensure optimal water utilisation which fits with the SDG of clean water and sanitation. In essence, Gaia Venture Capital will consider investing in only those farms that operate sustainably.

- ***How does Gaia meet SDGs that targets social upliftment?***

The fourth goal of the SDGs is to ensure quality education. In this space, especially at the farming operations, we aim to improve early childhood development (ECD) until the age of six years. I cannot overstate the importance of this period in a child's development. Our country does not adequately focus on this period of a child's education. ECD sets a child on a course of future learning which will raise their chances of performing well during their formal school years and raise their stakes to get into tertiary education.

Gaia Venture Capital partners with these farming operations to set up and capacitate ECD centres. Crèches were upgraded and human resources, in the form of teachers, were supplied. An additional benefit of our investment in ECD is that women (as mothers) now have a more level playing field when it comes to employment on the farm. This fits neatly with the SDG of gender equality. If you know your child is being taken care of – physically and intellectually – you are more at ease with finding a job.

- ***But it is not only farming where Gaia Venture Capital's investments aim to make difference? Tell us about your venture into fibre-optic internet connectivity.***

We joined Average Technologies – which builds fibre-optic networks and other telecommunications infrastructure – to fund the rollout of fibre-to-the-home to consumers on a selected basis. Most of these networks focused on neighbourhoods across the country where there was no fibre connectivity. The biggest benefit of fibre connectivity is that it lowers the data costs of homeowners and improves access to online education possibilities and jobs. This fits with the SDG of industry, innovation and infrastructure. In addition, many jobs were created during the construction phase of the fibre-optic networks' rollout.

Regarding Gaia Venture Capital's previous funding rounds, how has the fund performed since its launch?

The fund was launched in 2017. In total, it has since raised over R225 million over four rounds of funding and the next round of funding is scheduled for finalisation in February 2021. The average return on our portfolio of investments has been around 15% annualised over three years, which is slightly above our target return. Dividends are paid annually per funding round, typically from the second year of investment.

Why was the name Gaia chosen for the company?

The name relates to the Greek word for 'Mother Earth'. Remember, the Earth can look after itself if people do not disturb its natural processes. There are enough resources for the planet to keep going. This human disturbance must be rectified and this is where sustainable investment neatly fits the bill.